

Tobin & Co.

Blair Township

Grand Traverse County, Michigan

Audit Report

For the Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. [V1.07]

Unit Name* Blair Township	County* Grand Traverse	Type* Township	MuniCode*
Opinion Date-Use Calendar* 12/04/08	Audit Submitted-Use Calendar*	Fiscal Year End Month* June	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	? 862,625
General Fund Expenditure:	? 700,460
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 751,515
Governmental Activities Long-Term Debt (see instructions):	? - 0 -

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* BASLER	Ten Digit License Number* 1101013418		
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151
CPA Firm Name* Robin & Co., PC	Unit's Street Address*	Unit's City*	Unit's Zip*	

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Blair Township, Grand Traverse County, for the year ended June 30, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Blair Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

Your present Clerk, Treasurer and Deputies maintain receipts journals, disbursements journals, general ledgers and account books prescribed in the Uniform Accounting Procedures developed by the State Department of Treasury. Except for some shortcomings, the records were well maintained. In a separate management letter, we have addressed these shortcomings and suggested measures which, if adopted, will improve the accounting procedures and records. Both the noted shortcomings and suggested measures have been discussed with the appropriate officials and, in some instances, these suggestions have already been implemented or have begun to be implemented. Comments and recommendations regarding items other than the accounting procedures and records themselves are as follows:

Budgets and Procedures

The Township prepared and adopted budgets for its General and Special Revenue Funds. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. As noted in the "Notes to the Financial Statements", no cost centers exceeded their expenditure budgets without formal amendment by the Township Board.

General Fund

The General Fund is presented on Schedule 1 of this report. The fund balance at June 30, 2008 was \$751,515 of which \$43,912 was restricted.

Fire and Police Fund

This fund, presented on Schedule 2, was established to account for a special levy of 2.5 mils for fire and police protection. The fund balance at June 30, 2008 was \$419,341 of which \$5,016 was restricted.

Ambulance Fund

This fund, presented on Schedule 3, is used to account for the special voted tax of 1.4166 mils for ambulance service, for fees received for ambulance runs and other income earmarked for this fund. Revenues for the audit year totaled \$671,564 and expenditures were \$563,568. The fund balance at June 30, 2008 was \$507,569 of which \$130,057 was restricted.

Liquor Law Enforcement Fund

This fund, presented on Schedule 4, is used to account for liquor license fees refunded by the State of Michigan. Such fees may be used only for enforcement of the State liquor laws. The fund balance at June 30, 2008 was \$7,335.

Property Tax Collections

The collection and distribution of the 2007 tax levy was handled in an excellent manner by the Township Treasurer. Paid receipts were filed in order of payment and supported by computer printouts. Deposits were made timely and intact. Distributions to taxing units during the collection period were in accordance with statutory requirements. The Treasurer's efforts in this important function are commendable.

See Schedule 6 for a summary of the 2007 tax levy and collections.

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Comments and Recommendations

Pension Plan

We noted that the Township has a pension plan for its elected officials and full-time employees through Municipal Retirement Systems, Inc. The Township pays 100% of the cost. The Board has amended its §218 Social Security agreement to include those covered by the pension plan.

Payroll Procedures

Payroll records were maintained in excellent order. Payroll tax returns and year-end reports were filed timely as required.

Insurance and Surety Bond Coverage

Records reflect that the Township is insured through Municipal Underwriters of Michigan and has such coverage as fire and extended coverage, general liability, errors and omissions, auto liability, workmen's compensation, equipment and crime coverage. Board minutes indicate that coverage was reviewed during the audit year. The Supervisor, Clerk, Treasurer, and their deputies have specific surety bond coverage, along with a blanket bond covering all other employees.

Accounts Receivable

We noted that accounts receivable, covering charges for ambulance runs, are being maintained on a current basis by a contractual billing service. Billings are made each month, followed by a second and a final billing for uncollected accounts. Court action is taken on accounts of more than 90 days.

Other Data

We are pleased to note the use of interest bearing depository accounts, and the purchase of certificates of deposit and other investment practices which resulted in earned interest of \$210,864 during the audit year. This is commendable on the part of the Treasurer and other Board members.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township accounting records. We further appreciate the courtesy extended our field examiners in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Blair Township
Grand Traverse County
Grawn, Michigan 49637

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Blair Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of Blair Township at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Blair Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
December 4, 2008

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BLAIR TOWNSHIP MANAGEMENT DISCUSSION AND ANALYSIS

As the Township Board of the Blair Township, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Blair Township for the fiscal year ended June 30, 2008.

Financial Highlights

The assets of Blair Township exceeded its liabilities at the close of the most recent fiscal year by \$12,850,651 (net assets). Of this amount, \$11,506,489 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$1,685,760 (an increase of \$353,799 in comparison with the prior year). Approximately 89% of the total amount, \$1,507,495 is available for spending at the Township's discretion (unrestricted fund balance).

At the end of the current fiscal year, unrestricted fund balance for the general fund was \$708,323, or 101%, of the total general fund expenditures.

The Township's total debt was \$11,141,616 at the end of the current fiscal year.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Blair Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the Township's assets and liabilities, with the difference between the two reported as **net assets**. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **statement of activities** presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include general government, public safety, road projects, and recreation. The business-type activities of the Township include the water system and sewer system.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blair Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds:

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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Blair Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire and Police Fund and Ambulance Fund, which are considered to be major funds. Data from the other governmental fund is presented in a single column. Individual fund data for this non-major governmental fund is provided in the form of a statement elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

Proprietary Funds – Blair Township maintains two proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses an enterprise fund to account for its water and sewer activity.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 23 of this report.

Notes to the Financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 30 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 31 through 40 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Blair Township, assets exceeded liabilities by \$12,850,651 at the close of the most recent fiscal year.

The Township used its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Blair Township Net Assets

	Governmental Activities 2008	Governmental Activities 2007	Business Activities 2008	Business Activities 2007	Total 2008	Total 2007
Current and Other Assets	\$ 1,746,461	\$ 1,385,635	\$ 10,161,264	\$ 10,455,958	\$ 11,907,725	\$ 11,841,593
Capital Assets	<u>843,807</u>	<u>872,334</u>	<u>11,240,735</u>	<u>11,179,508</u>	<u>12,084,542</u>	<u>12,051,842</u>
Total Assets	2,590,268	2,257,969	21,401,999	21,635,466	23,992,267	23,893,435
Current and Other Liabilities	51,832	32,070	91,282	100,753	143,114	132,823
Long-term Liabilities	<u>-</u>	<u>-</u>	<u>10,998,502</u>	<u>11,214,137</u>	<u>10,998,502</u>	<u>11,214,137</u>
Total Liabilities	<u>51,832</u>	<u>32,070</u>	<u>11,089,784</u>	<u>11,314,890</u>	<u>11,141,616</u>	<u>11,346,960</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	843,807	872,334	322,090	55,121	1,165,897	927,455
Restricted	178,265	136,555	-	-	178,265	136,555
Unrestricted	<u>1,516,364</u>	<u>1,217,010</u>	<u>9,990,125</u>	<u>10,265,455</u>	<u>11,506,489</u>	<u>11,482,465</u>
Total Net Assets	<u>\$ 2,538,436</u>	<u>\$ 2,225,899</u>	<u>\$ 10,312,215</u>	<u>\$ 10,320,576</u>	<u>\$ 12,850,651</u>	<u>\$ 12,546,475</u>

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At the end of the current fiscal year, the Township is able to report positive balances in unrestricted net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Township's net assets increased by \$304,176 during the current fiscal year as discussed below.

Governmental Activities – Governmental activities increased the Township's net assets by \$312,537.

Business-type Activities – Business-type activities reduced the Township's net assets by \$8,361.

	Governmental Activities 2008	Governmental Activities 2007	Business Activities 2008	Business Activities 2007	Total 2008	Total 2007
Program Revenues:						
Charges for Services	\$ 440,713	\$ 383,356	\$ 934,570	\$ 865,155	\$ 1,375,283	\$ 1,248,511
Operating Grants and Contributions	13,066	11,988	-	-	13,066	11,988
General Revenues:						
Property Taxes	1,113,984	1,011,297	-	-	1,113,984	1,011,297
State Shared Revenues	463,270	463,988	-	-	463,270	463,988
Unrestricted Investment Earnings	53,497	52,290	157,367	219,524	210,864	271,814
Miscellaneous	<u>26,012</u>	<u>117,623</u>	<u>1,562</u>	<u>-</u>	<u>27,574</u>	<u>117,623</u>
Total Revenues	<u>2,110,542</u>	<u>2,040,542</u>	<u>1,093,499</u>	<u>1,084,679</u>	<u>3,204,041</u>	<u>3,125,221</u>
Program Expenses:						
Legislative	170,159	234,056	-	-	170,159	234,056
General Government	432,593	393,001	-	-	432,593	393,001
Public Safety	1,143,889	1,010,701	-	-	1,143,889	1,010,701
Public Works	23,499	20,762	1,101,860	1,081,498	1,125,359	1,102,260
Recreation and Cultural	27,865	15,644	-	-	27,865	15,644
Interest on Long-term Debt	<u>-</u>	<u>898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>898</u>
Total Expenses	<u>1,798,005</u>	<u>1,675,062</u>	<u>1,101,860</u>	<u>1,081,498</u>	<u>2,899,865</u>	<u>2,756,560</u>
Change in Net Assets	<u>\$ 312,537</u>	<u>\$ 365,480</u>	<u>\$ (8,361)</u>	<u>\$ 3,181</u>	<u>\$ 304,176</u>	<u>\$ 368,661</u>

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirement.

Governmental Funds – The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,685,760, an increase of \$353,799 in comparison with the prior year. 89% of this total amount (\$1,507,495) constitutes unrestricted fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to fire membership incentives (\$5,016), ambulance replacement (\$130,057), and right-of-way improvements (\$43,192).

General Fund Highlights

During the fiscal year 2007-2008 there was an ending balance of \$751,515, an increase of \$162,165.

Fire and Police Fund Highlights

The Fire and Police Fund ended the 2007-2008 fiscal year with a balance of \$419,341, an increase of \$80,735 over the prior year.

Ambulance Fund Highlights

The Ambulance Fund ended the fiscal year of 2007-2008 with a balance of \$507,569, an increase of \$107,996 over the prior fiscal year.

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Capital Asset and Debt Administration

Capital Assets – The Township's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$12,084,542 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer systems, improvements, machinery and equipment, park facilities, etc.

Details of the Township's capital assets are contained in the notes to the financial statements on page 28.

Long-term debt – At the end of the current fiscal year, the Township had total bonded debt outstanding of \$10,998,502. This amount comprises debt backed by the full faith and credit of the government.

Additional information on the Township's long-term debt can be found in the notes on pages 28.

Economic Factors and Next Year's Budget and Rates

The State of Michigan has an uncertain budget and Townships are expecting lower revenue sharing. The Township's millage rate has stayed the same at .8250 mills for general operation. These factors were considered in preparing the Township's budget for 2007-2008. The general fund budget appropriated expenditures in excess of revenues in the amount of \$19,026.

The Township has formed its own fire department after the split from Rural Fire.

The Township will be incurring debt for fire trucks and equipment but will save in the long run. The Township will not be paying Rural Fire \$215,000 this year so that will be used for equipment.

Requests for Information

This financial report is designed to provide a general overview of Blair Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor, Blair Township, 2121 County Road 633, Grawn, MI 49637. Phone (231) 276-9263.

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Blair Township Statement of Net Assets June 30, 2008

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,626,584	\$ 3,253,957	\$ 4,880,541
Investments	-	1,026,922	1,026,922
Accounts Receivable	95,363	103,506	198,869
Allowance for Uncollectible Accounts	(25,000)	-	(25,000)
Special Assessments Receivable	-	5,551,854	5,551,854
Due from Other Funds	808	-	808
Prepaid Expenses	48,706	84,741	133,447
Capital Assets:			
Land	105,748	60,427	166,175
Other Capital Assets, Net of Depreciation	636,596	11,180,308	11,816,904
Intangible Assets, Net of Amortization	<u>101,463</u>	<u>140,284</u>	<u>241,747</u>
Total Assets	<u>2,590,268</u>	<u>21,401,999</u>	<u>23,992,267</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	51,832	90,474	142,306
Due to Other Funds	-	808	808
Long-term Liabilities:			
Due Within One Year	-	451,517	451,517
Due in More Than One Year	<u>-</u>	<u>10,546,985</u>	<u>10,546,985</u>
Total Liabilities	<u>51,832</u>	<u>11,089,784</u>	<u>11,141,616</u>
<u>Net Assets</u>			
Invested in Capital Assets and Intangible Assets, Net of Related Debt	843,807	322,090	1,165,897
Net assets of special revenue funds:			
Fire and Police Protection – Restricted	5,016	-	5,016
Fire and Police Protection – Unrestricted	414,325	-	414,325
Ambulance Service – Restricted	130,057	-	130,057
Ambulance Service – Unrestricted	377,512	-	377,512
Liquor Inspections	7,335	-	7,335
Restricted	43,192	-	43,192
Unrestricted	<u>717,192</u>	<u>9,990,125</u>	<u>10,707,317</u>
Total Net Assets	<u>\$ 2,538,436</u>	<u>\$10,312,215</u>	<u>\$ 12,850,651</u>

See Accompanying Notes to Basic Financial Statements

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Blair Township Statement of Activities June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Legislative	\$ 170,159	\$ -	\$ -	\$ (170,159)	\$ -	\$ (170,159)
General Government	432,593	126,333	-	(306,260)	-	(306,260)
Public Safety	1,143,889	314,380	4,384	(825,125)	-	(825,125)
Public Works	23,499	-	8,682	(14,817)	-	(14,817)
Recreation and Cultural	<u>27,865</u>	<u>-</u>	<u>-</u>	<u>(27,865)</u>	<u>-</u>	<u>(27,865)</u>
Total Governmental Activities	<u>1,798,005</u>	<u>440,713</u>	<u>13,066</u>	<u>(1,344,226)</u>	<u>-</u>	<u>(1,344,226)</u>
Business-type Activities:						
Water	706,286	608,427	-	-	(97,859)	(97,859)
Sewer	<u>395,574</u>	<u>326,143</u>	<u>-</u>	<u>-</u>	<u>(69,431)</u>	<u>(69,431)</u>
Total Business-type Activities	<u>1,101,860</u>	<u>934,570</u>	<u>-</u>	<u>-</u>	<u>(167,290)</u>	<u>(167,290)</u>
General Revenues:						
Property Taxes				1,113,984	-	1,113,984
Grants and Contributions Not Restricted To Specific Programs				463,270	-	463,270
Unrestricted Investment Earnings				53,497	157,367	210,864
Miscellaneous				<u>26,012</u>	<u>1,562</u>	<u>27,574</u>
Total General Revenues				1,656,763	158,929	1,815,692
Change in Net Assets				312,537	(8,361)	304,176
Net Assets -- Beginning				<u>2,225,899</u>	<u>10,320,577</u>	<u>12,546,476</u>
Net Assets -- Ending				<u>\$ 2,538,436</u>	<u>\$10,312,216</u>	<u>\$ 12,850,652</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township Balance Sheet Governmental Funds June 30, 2008

	<u>General</u>	<u>Fire and Police</u>	<u>Ambulance</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 735,103	\$ 417,533	\$ 464,722	\$ 9,226	\$ 1,626,584
Accounts Receivable, Net	22,309	-	48,054	-	70,363
Due from Other Funds	2,699	1,808	4,864	-	9,371
Prepaid Expenses	4,406	-	-	-	4,406
Total Assets	<u>\$ 764,517</u>	<u>\$ 419,341</u>	<u>\$ 517,640</u>	<u>\$ 9,226</u>	<u>\$ 1,710,724</u>
<u>Liabilities and Fund Balances</u>					
<u>Liabilities:</u>					
Accounts Payable and Accrued Expenses	\$ 6,330	\$ -	\$ 10,071	\$ -	\$ 16,401
Due to Other Funds	6,672	-	-	1,891	8,563
Total Liabilities	<u>13,002</u>	<u>-</u>	<u>10,071</u>	<u>1,891</u>	<u>24,964</u>
<u>Fund Balances:</u>					
Restricted for:					
Membership Incentive	-	5,016	-	-	5,016
Ambulance Replacement	-	-	130,057	-	130,057
Right of Way Improvements	43,192	-	-	-	43,192
Unrestricted	<u>708,323</u>	<u>414,325</u>	<u>377,512</u>	<u>7,335</u>	<u>1,507,495</u>
Total Fund Balances	<u>751,515</u>	<u>419,341</u>	<u>507,569</u>	<u>7,335</u>	<u>1,685,760</u>
Total Liabilities and Fund Balances	<u>\$ 764,517</u>	<u>\$ 419,341</u>	<u>\$ 517,640</u>	<u>\$ 9,226</u>	
Amounts reported for governmental activities on the statement of net assets are different because:					
Capital and intangible assets used in governmental activities are not financial resources and therefore are not reported in the funds.					843,807
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.					44,300
Long-term accrued expenses in the statement of activities are not current period fund expenditures.					<u>(35,431)</u>
Net assets of governmental activities.					<u>\$ 2,538,436</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	<u>General</u>	<u>Fire and Police</u>	<u>Ambulance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Taxes	\$ 223,531	\$ 554,184	\$ 336,269	\$ -	\$ 1,113,984
Licenses and Permits	87,344	-	-	-	87,344
State Grants	471,952	-	-	4,384	476,336
Charges for Services	18,989	-	314,380	-	333,369
Interest and Rents	39,734	14,202	19,561	-	73,497
Other	<u>21,075</u>	<u>12,707</u>	<u>1,354</u>	<u>-</u>	<u>35,136</u>
Total	<u>862,625</u>	<u>581,093</u>	<u>671,564</u>	<u>4,384</u>	<u>2,119,666</u>
<u>Expenditures</u>					
Legislative	78,288	-	-	-	78,288
General Government	342,986	-	-	-	342,986
Public Safety	61,612	471,771	489,388	1,382	1,024,153
Public Works	17,306	-	-	-	17,306
Recreation and Cultural	6,916	-	-	-	6,916
Employee Benefits and Insurance	150,769	21,762	41,484	99	214,114
Capital Outlay	<u>42,583</u>	<u>6,825</u>	<u>32,696</u>	<u>-</u>	<u>82,104</u>
Total	<u>700,460</u>	<u>500,358</u>	<u>563,568</u>	<u>1,481</u>	<u>1,765,867</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	162,165	80,735	107,996	2,903	353,799
Fund Balance – Beginning of Year	<u>589,350</u>	<u>338,606</u>	<u>399,573</u>	<u>4,432</u>	<u>1,331,961</u>
Fund Balance – End of Year	<u>\$ 751,515</u>	<u>\$ 419,341</u>	<u>\$ 507,569</u>	<u>\$ 7,335</u>	<u>\$ 1,685,760</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Of Governmental Activities
For the Year Ended June 30, 2008

Net change in fund balances – total governmental funds	\$ 353,799
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period.	(28,526)
Revenues providing financial resources in the governmental funds are not reported in the statement of activities.	(9,124)
Some expenditures reported in the governmental funds are deferred and are not reported in the statement of activities.	<u>(3,612)</u>
Changes in net assets of governmental activities	<u>\$ 312,537</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township Statement of Net Assets Enterprise Water Fund June 30, 2008

Assets

Cash and Cash Equivalents	\$ 768,718
Investments	1,026,922
Accounts Receivable	97,648
Special Assessments Receivable	1,285,860
Prepaid Interest	84,741
Capital Assets:	
Land	60,427
Other Capital Assets, Net of Depreciation	6,444,547
Intangible Assets, Net of Amortization	<u>94,179</u>
Total Assets	<u>9,863,042</u>

Liabilities

Accounts Payable and Accrued Expenses	51,618
Long-term Liabilities:	
Due Within One Year	253,699
Due in More Than One Year	<u>5,428,443</u>
Total Liabilities	<u>5,733,760</u>

Net Assets

Invested in Capital and Intangible Assets, Net of Related Debt	917,011
Unrestricted	<u>3,212,271</u>
Total Net Assets	<u>\$ 4,129,282</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Net Assets
Enterprise Sewer Fund
June 30, 2008

Assets

Cash and Cash Equivalents	\$ 2,485,239
Accounts Receivable	5,858
Special Assessments Receivable	4,265,994
Capital Assets:	
Other Capital Assets, Net of Depreciation	4,735,761
Intangible Assets, Net of Amortization	<u>46,105</u>
Total Assets	<u>11,538,957</u>

Liabilities

Accounts Payable and Accrued Expenses	38,856
Due to Other Funds	808
Long-term Liabilities:	
Due Within One Year	197,818
Due in More Than One Year	<u>5,118,542</u>
Total Liabilities	<u>5,356,024</u>

Net Assets

Invested in Capital and Intangible Assets, Net of Related Debt	(534,494)
Unrestricted	<u>6,717,427</u>
Total Net Assets	<u>\$ 6,182,933</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Water Fund
For the Year Ended June 30, 2008

<u>Operating Revenues</u>	
Usage and Connection Fees	\$ 492,501
Interest and Penalties on Special Assessments	81,276
Refunds and Reimbursements	1,562
Tower Rental	<u>34,650</u>
Total	<u>609,989</u>
<u>Operating Expenses</u>	
Salaries and Wages	28,735
Payroll Taxes	2,198
Pension	3,132
Postage	3,561
Supplies	7,243
Contractual Services	135,595
Insurance	4,260
Utilities	31,314
Maintenance and Repairs	1,880
Miscellaneous	1,772
Depreciation	158,861
Amortization	38,786
Debt Service:	
Interest and Fees	<u>288,949</u>
Total	<u>706,286</u>
Operating Income (Loss)	<u>(96,297)</u>
<u>Non-operating Income</u>	
Interest	<u>72,833</u>
Total	<u>72,833</u>
Net Income (Loss)	(23,464)
Net Assets – Beginning of Year	4,162,746
Prior Period Adjustment	<u>(10,000)</u>
Net Assets – End of Year	<u>\$ 4,129,282</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Revenues, Expenses and Changes in Net Assets
Enterprise Sewer Fund
For the Year Ended June 30, 2008

Operating Revenues

Usage and Connection Fees	\$ 64,768
Interest and Penalties on Special Assessments	<u>261,375</u>
Total	<u>326,143</u>

Operating Expenses

Supplies	2,518
Contractual Services	29,569
Insurance	2,360
Utilities	2,072
Depreciation	95,173
Amortization	2,561
Capacity Lease	47,202
Debt Service:	
Interest	<u>214,119</u>
Total	<u>395,574</u>

Operating Income (Loss)	<u>(69,431)</u>
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Non-operating Income

Interest	<u>84,534</u>
Total	<u>84,534</u>

Net Income	15,103
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Net Assets -- Beginning of Year	6,157,830
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Prior Period Adjustment	<u>10,000</u>
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Net Assets -- End of Year	<u>\$ 6,182,933</u>
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See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township Statement of Cash Flows Enterprise Water Fund For the Year Ended June 30, 2008

Operating Activities

Collection of Usage and Connection Fees	\$ 468,693
Collection of Special Assessments	88,567
Collection of Interest	72,833
Collection of Tower Rent	34,650
Collection of Refunds and Reimbursements	1,562
Deduct Expenses Using Cash and Cash Equivalents	<u>(589,669)</u>
Net Cash Flow From Operating Activities	<u>76,636</u>

Investing Activities

Purchase of Capital and Intangible Assets	<u>(105,364)</u>
Net Cash Flow (Used In) Investing Activities	<u>(105,364)</u>

Capital Financing Activities

Purchase of Investments	(526,999)
Collection of Special Assessments	160,257
Issuance of Bonds	206,308
Principal Payment on Bonds	(224,125)
Prior Period Adjustment to Retained Earnings	<u>(10,000)</u>
Net Cash Flow From Capital Financing Activities	<u>(394,559)</u>

Net (Decrease) in Cash (423,287)

Balance of Cash – Beginning of Year 1,192,005

Balance of Cash – End of Year \$ 768,718

Reconciliation of Net (Loss) and Net Cash Flow From Operating Activities

Net Income (Loss)	\$ (23,464)
Adjustments to Reconcile Net Earnings:	
(Increase) in Receivables	(16,517)
(Increase) in Prepaid Interest	(84,741)
Increase in Payables	3,711
Depreciation of Water System	158,861
Amortization of Bond Acquisition Costs	<u>38,786</u>
Net Cash Flow From Operating Activities	<u>\$ 76,636</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township
Statement of Cash Flows
Enterprise Sewer Fund
For the Year Ended June 30, 2008

Operating Activities

Collection of Usage and Connection Fees	\$ 59,343
Collection of Special Assessments	228,488
Collection of Interest	84,534
Deduct Expenses Using Cash and Cash Equivalents	<u>(311,022)</u>
Net Cash Flow From Operating Activities	<u>61,343</u>

Investing Activities

Purchase of Capital Assets	<u>(301,778)</u>
Net Cash Flow (Used In) Investing Activities	<u>(301,778)</u>

Capital Financing Activities

Collection of Special Assessments	346,808
Bond Payments	(197,818)
Prior Period Adjustment	<u>10,000</u>
Net Cash Flow From Capital Financing Activities	<u>158,990</u>

Net Decrease in Cash (81,445)

Balance of Cash – Beginning of Year 2,566,684

Balance of Cash – End of Year \$ 2,485,239

Reconciliation of Net Income and Net Cash Flow From Operating Activities

Net Income	\$ 15,103
Adjustments to Reconcile Net Earnings:	
(Increase) in Receivables	(38,312)
(Decrease) in Payables	(13,182)
Depreciation of Sewer System	95,173
Amortization of Bond Acquisition Costs	<u>2,561</u>
Net Cash Flow From Operating Activities	<u>\$ 61,343</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township Statement of Fiduciary Net Assets June 30, 2008

Assets

Cash	\$ 30,782
Total Assets	<u>30,782</u>

Liabilities

Undistributed Taxes and Interest	25,475
Escrow Deposits	<u>5,307</u>
Total Liabilities	<u>30,782</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Blair Township Notes to Financial Statements June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Blair Township is a general law township located in Grand Traverse County. Population as of the 2000 census was 6,448, and the current taxable valuation for taxable property is \$237,761,953.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Funds – These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included in the statement of net assets.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Tobin & Co.

Blair Township
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns or business-type activities in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building Improvements	25 years
Land Improvements	20 years
Furniture and Fixtures	10 years
Vehicles	10 years
Equipment	5 years

Tobin & Co.

Blair Township Notes to Financial Statements June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a remaining maturity of three months or less when purchased to be cash equivalents.

G. Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

H. Prepaid Items

Prepaid balances are for payments made by the Township in the current year to provide services accruing in subsequent fiscal years.

I. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$313,684,672	\$237,761,953	.8250
Fire and Police	\$298,744,759	\$222,822,040	2.500
Emergency Service	\$313,684,672	\$237,761,953	1.4166

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2008.
- C. Public Act 621 of 1978, §18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2008, no cost centers exceeded their appropriation without formal budget amendment.

Tobin & Co.

Blair Township
Notes to Financial Statements
June 30, 2008

E 3 -

DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$4,990,128 deposited with local financial institutions at June 30, 2008 with a carrying value of \$4,911,323. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$3,998,230 of uninsured deposits at June 30, 2008. Investments at June 30, 2008 consisted of \$1,024,656 of commercial paper and \$2,266 of a mutual fund cash management account, all held by a local financial institution and fully insured. In addition the Township had cash at Grand Traverse County as fiscal agent. The insured status of these amounts is unknown.

Tobin & Co.

Blair Township Notes to Financial Statements June 30, 2008

NOTE 4 - CAPITAL/INTANGIBLE ASSETS

Governmental Activities:	6/30/07	Additions	Deletions	6/30/08
Land	\$ 105,748	\$ -	\$ -	\$ 105,748
Land Improvements	129,857	-	-	129,857
Buildings and Improvements	517,127	13,920	-	531,047
Vehicles and Equipment	893,643	62,094	-	955,737
Total	1,646,375	76,014	-	1,722,389
Less Accumulated Depreciation	(881,606)	(98,439)	-	(980,045)
Governmental Activities Assets, Net	\$ 764,769	\$ (22,425)	\$ -	\$ 742,344
Business-type Activities:				
Land	\$ 60,427	\$ -	\$ -	\$ 60,427
Building Improvements	21,609	-	-	21,609
Water System	7,698,750	13,483	-	7,712,233
Equipment	30,768	-	-	30,768
Sewer System	4,582,620	301,778	-	4,884,398
Total	12,394,174	315,261	-	12,709,435
Less Accumulated Depreciation	(1,214,666)	(254,034)	-	(1,468,700)
Business-type Activities Capital Assets, Net	\$ 11,179,508	\$ 61,227	\$ -	\$ 11,240,735

Governmental intangible assets at June 30, 2008 consisted of major improvements to roads owned and maintained by Grand Traverse County: Road costs of \$123,859 less accumulated amortization of \$22,396. Business-type intangible assets consisted of bond origination costs of \$207,302 less accumulated amortization of \$67,018.

NOTE 5 - LONG-TERM DEBT

On July 1, 1998 Grand Traverse County issued \$6,550,000 of Water System Improvements Project Bonds at interest rates ranging from 4.75 % to 5.2% with principal payments due November 1 and interest payments due May 1 and November 1. The proceeds were used to construct a water system in Blair Township.

A \$480,000 non-interest bearing installment purchase agreement dated July 21, 1998 was entered into with Cherryland Rural Electrical Cooperative. Monthly principal only payments of \$4,444 began August 1, 1999. The proceeds were used to construct a water system for Blair Township.

On October 20, 2005 Grand Traverse County issued \$5,675,000 of Sewer System Improvement Project Bonds at interest rates ranging from 3% to 4.3% with principal payments due November 1 and interest payments May 1 and November 1. The proceeds were used to construct a sewer system in Blair Township.

On July 1, 2007 Grand Traverse County restructured the 1998 Water System Improvement Bonds issuing \$5,015,000 of 2007 Water System Improvements Project Refunding Bonds at interest rates ranging from 4.00% to 4.625% with principal payment due November 1 and interest payments due May 1 and November 1.

Changes in long-term debt are scheduled below:

	Balance 6/30/07	Additions	Retirements	Balance 6/30/08
Water System Improvement Project Bonds	\$ 5,675,000	\$ -	\$ 4,925,000	\$ 750,000
Rural Electrical Cooperative Installment Note	53,334	-	53,334	-
Sewer System Improvements Project Bonds	5,575,000	-	200,000	5,375,000
Water System Refunding Bonds	-	5,015,000	50,000	4,965,000
Total	11,303,334	5,015,000	5,228,334	11,090,000
Less Discounts	(89,197)	(29,401)	(27,100)	(91,498)
	<u>\$ 11,214,137</u>	<u>\$ 4,985,599</u>	<u>\$ 5,201,234</u>	<u>\$ 10,998,502</u>

Tobin & Co.

Blair Township Notes to Financial Statements June 30, 2008

NOTE 5 - LONG-TERM DEBT (Continued)

Debt services requirements to maturity:

	Water and Sewer System	
	Improvements	Projects Bonds
	Principal	Interest
2008	\$ 455,000	\$ 448,289
2009	480,000	429,701
2010	555,000	408,645
2011	555,000	386,651
2012	605,000	364,695
2013	605,000	341,193
2014	675,000	316,770
2015	675,000	290,370
2016	670,000	263,510
2017	665,000	236,169
2018	710,000	207,597
2019	735,000	177,058
2020	755,000	145,045
2021	750,000	112,539
2022	745,000	79,885
2023	705,000	47,850
2024	375,000	24,187
2025	375,000	8,063
	<u>\$ 11,090,000</u>	<u>\$ 4,288,217</u>

NOTE 6 - INVENTORIES

Blair Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 7 - PENSION PLAN

The Blair Township Pension Plan is a defined contribution pension plan administered by Municipal Retirement Systems, Inc. By Board resolution, the Township pays the entire cost of the plan, based on 11% of the total of participants' prior year forms W-2.

The plan covers all elected officials, deputies, and all full-time employees.

Contributions are 100% vested to the employee after six years of service.

The plan is administered by the Township Clerk.

During the year of audit, the total contribution for the plan year, February 1, 2007 to January 31, 2008 was \$73,400. Covered payroll for the year was \$667,269 with total payroll for all employees \$883,387. The plan was funded at the required amount.

Tobin & Co.

Blair Township Notes to Financial Statements June 30, 2008

NOTE 8 - DEFERRED COMPENSATION PLAN

Blair Township offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan is administered by the Township Clerk and is available to all full-time employees. The plan allows employees to defer a portion of their salary until a future date. It becomes available to the employee at death, termination, retirement or disability.

NOTE 9 - ACCOUNTS RECEIVABLE

Accounts receivable of \$22,309 in the General Fund represents \$18,369 of cable franchise fees, and \$3,940 of election cost reimbursement from the State of Michigan of the audit year collected after July 1, 2008. \$48,054 in the Ambulance Fund represents amounts due from individuals for ambulance service. \$97,648 in the Water Fund and \$5,858 in the Sewer Fund represents unpaid water and sewer bills.

NOTE 10- CONTINGENT LIABILITIES

The Township is aware of no contingent liabilities at June 30, 2008.

NOTE 11- COMPENSATED ABSENCES

Full-time Township employees (scheduled to work a minimum of 24 hours per week) earn non-cumulative vacation leave based upon average hours per work week and years of service. They also earn sick leave at ½ day per month, not to exceed twelve days at any given point in time. Salaried employees are paid for all sick days with no accrual of days.

NOTE 12- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 13- SEGMENT INFORMATION – ENTERPRISE FUND

The Township maintains enterprise funds which provide water and sewer services. Segment information for the year ended June 30, 2008 was as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues	\$ 609,989	\$ 326,143	\$ 936,132
Depreciation and Amortization Expense	197,647	97,734	295,381
Operating Income (Loss)	(96,297)	(69,431)	(165,728)
Net Income(Loss)	(23,464)	15,103	(8,361)
Net Working Capital	1,672,712	2,253,615	3,926,327
Total Assets	9,863,042	11,538,957	21,401,999
Bonds and Other Long-Term Liabilities:			
Payable from Operating Revenues	5,682,142	5,316,360	10,998,502
Total Equity	4,129,282	6,182,933	10,312,215

NOTE 14- PRIOR PERIOD ADJUSTMENT

Payables of \$10,000 at June 30, 2007 were erroneously recorded in Sewer Fund instead of the Water Fund.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 1

<u>Revenues</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Property Taxes	\$ 190,000	\$ 190,000	\$ 200,549	\$ 10,549
Swamp Tax	2,300	2,300	2,164	(136)
Trailer Park Fees	1,000	1,000	949	(51)
Special Assessments – Roads and Lights	22,000	22,000	19,869	(2,131)
Licenses and Permits:				
Permits	24,000	24,000	17,106	(6,894)
Cable TV Franchise Fees	52,000	52,000	70,238	18,238
State Grants:				
State Shared Revenues	440,000	440,000	463,270	23,270
Metro Act	-	-	8,682	8,682
Charges for Services:				
Tax Collection Fees	-	-	14,646	14,646
Other	4,000	4,000	4,343	343
Interest and Rents:				
Interest	25,000	25,000	19,734	(5,266)
Rent	20,000	20,000	20,000	-
Other:				
Refunds and Reimbursements	20,000	20,000	11,512	(8,488)
Donations	-	13,000	9,563	(3,437)
Total Revenues	<u>800,300</u>	<u>813,300</u>	<u>862,625</u>	<u>49,325</u>
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	29,134	-
Supplies and postage	-	-	6,956	-
Professional Services	-	-	18,244	-
Other Contracted Services	-	-	15,479	-
Dues	-	-	4,099	-
Printing and Advertising	-	-	3,727	-
Education and Training	-	-	150	-
Other	-	-	499	-
Total	<u>88,572</u>	<u>88,572</u>	<u>78,288</u>	<u>10,284</u>
Total Legislative	<u>88,572</u>	<u>88,572</u>	<u>78,288</u>	<u>10,284</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 2

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	44,383	-
Supplies	-	-	19	-
Education and Training	-	-	185	-
Total	<u>45,833</u>	<u>45,833</u>	<u>44,587</u>	<u>1,246</u>
Elections:				
Salaries and Wages	-	-	8,916	-
Supplies and Postage	-	-	5,388	-
Other Services	-	-	65	-
Education and Training	-	-	283	-
Publishing	-	-	118	-
Total	<u>26,500</u>	<u>26,500</u>	<u>14,770</u>	<u>11,730</u>
Assessor:				
Salaries and Wages	-	-	43,751	-
Salaries and Wages - Clerical	-	-	18,392	-
Supplies and Postage	-	-	4,032	-
Other Services	-	-	1,206	-
Contractual Services	-	-	7,069	-
Dues	-	-	150	-
Mileage and Travel	-	-	533	-
Total	<u>77,155</u>	<u>77,155</u>	<u>75,133</u>	<u>2,022</u>
Clerk:				
Salaries and Wages	-	-	43,114	-
Salaries and Wages - Deputy	-	-	27,494	-
Supplies and Postage	-	-	1,489	-
Other Services	-	-	766	-
Professional Services	-	-	409	-
Mileage and Travel	-	-	263	-
Maintenance and Repairs	-	-	65	-
Total	<u>77,233</u>	<u>77,233</u>	<u>73,600</u>	<u>3,633</u>
Board of Review:				
Salaries and Wages	-	-	1,260	-
Printing and Publishing	-	-	90	-
Total	<u>2,400</u>	<u>2,400</u>	<u>1,350</u>	<u>1,050</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 3

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Treasurer:				
Salaries and Wages	-	-	37,530	-
Salaries and Wages – Deputy	-	-	22,117	-
Supplies and Postage	-	-	10,849	-
Other Services	-	-	980	-
Professional Services	-	-	261	-
Mileage and Travel	-	-	970	-
Printing and Publishing	-	-	46	-
Maintenance and Repairs	-	-	186	-
Education and Training	-	-	1,127	-
Total	<u>77,781</u>	<u>77,252</u>	<u>74,066</u>	<u>3,186</u>
Township Hall and Grounds:				
Salaries and Wages	-	-	29,113	-
Supplies	-	-	4,976	-
Other Services	-	-	2,132	-
Telephone	-	-	2,875	-
Public Utilities	-	-	8,456	-
Maintenance and Repairs	-	-	4,474	-
Mileage and Travel	-	-	2,114	-
Total	<u>54,090</u>	<u>54,090</u>	<u>54,140</u>	<u>(50)</u>
Cemetery:				
Salaries and Wages	-	-	2,573	-
Supplies	-	-	213	-
Public Utilities	-	-	429	-
Maintenance and Repairs	-	-	2,125	-
Total	<u>10,350</u>	<u>10,350</u>	<u>5,340</u>	<u>5,010</u>
Total General Government	<u>371,342</u>	<u>370,813</u>	<u>342,986</u>	<u>27,827</u>
Public Safety:				
Planning and Zoning:				
Salaries and Wages	-	-	49,276	-
Supplies and Postage	-	-	3,415	-
Outside Services	-	-	983	-
Mileage and Travel	-	-	442	-
Printing and Publishing	-	-	4,776	-
Education and Training	-	-	2,720	-
Total	<u>83,397</u>	<u>83,397</u>	<u>61,612</u>	<u>21,785</u>
Total Public Safety	<u>83,397</u>	<u>83,397</u>	<u>61,612</u>	<u>21,785</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 4

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
Public Works:				
Road Maintenance and Improvements	3,500	3,500	3,043	457
Street Lighting	<u>16,000</u>	<u>16,000</u>	<u>14,263</u>	<u>1,737</u>
Total Public Works	<u>19,500</u>	<u>19,500</u>	<u>17,306</u>	<u>2,194</u>
Recreation and Cultural:				
Parks and Recreation:				
Salaries and Wages	-	-	2,779	-
Supplies	-	-	2,069	-
Other Services	-	-	750	-
Mileage and Travel	-	-	300	-
Community Promotion	-	-	377	-
Maintenance and Repairs	<u>-</u>	<u>-</u>	<u>641</u>	<u>-</u>
Total	<u>13,750</u>	<u>13,750</u>	<u>6,916</u>	<u>6,834</u>
Total Recreation and Cultural	<u>13,750</u>	<u>13,750</u>	<u>6,916</u>	<u>6,834</u>
Other:				
Employee Benefits and Insurance	<u>192,544</u>	<u>192,544</u>	<u>150,769</u>	<u>41,775</u>
Capital Outlay	<u>25,750</u>	<u>38,750</u>	<u>42,583</u>	<u>(3,833)</u>
Contingency	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Expenditures	<u>819,855</u>	<u>832,326</u>	<u>700,460</u>	<u>131,866</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (19,555)</u>	<u>\$ (19,026)</u>	<u>162,165</u>	<u>\$ 181,191</u>
Fund Balance -- Beginning of Year			<u>589,350</u>	
Fund Balance -- End of Year			<u>\$ 751,515</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Fire and Police Fund
For the Year Ended June 30, 2008

Schedule 2

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes:			
Current Property Taxes	\$ 558,960	\$ 554,184	\$ (4,776)
Charges for Services:			
Extrication Fees	3,000	-	(3,000)
Interest and Rents:			
Interest	5,000	10,202	5,202
Rents	4,000	4,000	-
Other:			
Donations and Reimbursements	9,000	12,707	3,707
Other	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total	<u>581,460</u>	<u>581,093</u>	<u>(367)</u>
<u>Expenditures</u>			
Salaries and Wages	-	142,917	-
Salaries and Wages - Contractual	-	66,880	-
Social Security and Medicare	-	11,762	-
Pension	-	10,000	-
Supplies and Postage	-	7,742	-
Contractual Services	-	198,531	-
Professional Services	-	11,209	-
Rent	-	10,000	-
Telephone	-	1,502	-
Community Promotion	-	423	-
Insurance	-	20,504	-
Public Utilities	-	6,669	-
Maintenance and Repairs – Vehicles	-	1,679	-
Maintenance and Repairs – Other	-	2,734	-
Education and Training	-	981	-
Capital Outlay	<u>-</u>	<u>6,825</u>	<u>-</u>
Total	<u>568,607</u>	<u>500,358</u>	<u>68,249</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 12,853</u>	<u>80,735</u>	<u>\$ 67,882</u>
Fund Balance – Beginning of Year		<u>338,606</u>	
Fund Balance – End of Year		<u>\$ 419,341</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Ambulance Fund
For the Year Ended June 30, 2008

Schedule 3

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Taxes:			
Current Property Taxes	\$ 329,000	\$ 336,269	\$ 7,269
Charges for Services:			
Ambulance Runs	280,000	306,038	26,038
Contracts	6,500	8,342	1,842
Interest and Rents:			
Interest	7,000	19,561	12,561
Other:			
Sale of Equipment	250	440	190
Refunds and Reimbursements	500	69	(431)
Donations and Memorials	<u>200</u>	<u>845</u>	<u>645</u>
Total	<u>623,450</u>	<u>671,564</u>	<u>48,114</u>
<u>Expenditures</u>			
Salaries and Wages	-	269,517	-
Social Security and Medicare	-	19,362	-
Pension	-	22,122	-
Supplies and Postage	-	4,707	-
Gasoline	-	12,366	-
Medical Supplies	-	23,001	-
Uniforms	-	2,686	-
Professional and Other Services	-	29,913	-
License Fees	-	225	-
Rent	-	10,000	-
Medical Services	-	22,094	-
Telephone	-	3,471	-
Mileage and Travel	-	472	-
Maintenance and Repairs – Vehicles and Equipment	-	13,882	-
Community Promotion	-	1,401	-
Insurance	-	82,503	-
Utilities	-	6,371	-
Maintenance and Repairs – Building	-	2,838	-
Other	-	339	-
Education and Training	-	3,602	-
Capital Outlay	-	<u>32,696</u>	-
Total	<u>609,438</u>	<u>563,568</u>	<u>45,870</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 14,012</u>	107,996	<u>\$ 93,984</u>
Fund Balance – Beginning of Year		<u>399,573</u>	
Fund Balance – End of Year		<u>\$ 507,569</u>	

The Notes to the Basic Financial statements are an integral part of this statement.

Tobin & Co.

Blair Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Liquor Law Enforcement Fund
For the Year Ended June 30, 2008

Schedule 4

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
State Grants:			
License Refunds	\$ 3,500	\$ 4,384	\$ 884
Total	<u>3,500</u>	<u>4,384</u>	<u>884</u>
<u>Expenditures</u>			
Salaries and Wages	-	1,299	-
Social Security and Medicare	-	99	-
Mileage	<u>-</u>	<u>83</u>	<u>-</u>
Total	<u>1,682</u>	<u>1,481</u>	<u>201</u>
<u>Excess Revenues (Expenditures)</u>	<u>\$ 1,818</u>	<u>2,903</u>	<u>\$ 1,085</u>
Fund Balance – Beginning of Year		<u>4,432</u>	
Fund Balance – End of Year		<u>\$ 7,335</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2008

Schedule 5

Trust and Agency Fund				
	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
<u>Assets</u>				
Cash	\$ 4,866	\$ 61,638	\$ 61,197	\$ 5,307
Total Assets	\$ 4,866	\$ 61,638	\$ 61,197	\$ 5,307
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ -	\$ -	\$ -	\$ -
Escrow Deposits	4,866	61,638	61,197	5,307
Total Liabilities	\$ 4,866	\$ 61,638	\$ 61,197	\$ 5,307
Current Tax Collection Fund				
	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
<u>Assets</u>				
Cash	\$ 9,641	\$ 7,979,296	\$ 7,963,462	\$ 25,475
Total Assets	\$ 9,641	\$ 7,979,296	\$ 7,963,462	\$ 25,475
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 9,641	\$ 7,979,296	\$ 7,963,462	\$ 25,475
Escrow Deposits	-	-	-	-
Total Liabilities	\$ 9,641	\$ 7,979,296	\$ 7,963,462	\$ 25,475
Total				
	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
<u>Assets</u>				
Cash	\$ 14,507	\$ 8,040,934	\$ 8,024,659	\$ 30,782
Total Assets	\$ 14,507	\$ 8,040,934	\$ 8,024,659	\$ 30,782
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 9,641	\$ 7,979,296	\$ 7,963,462	\$ 25,475
Escrow Deposits	4,866	61,638	61,197	5,307
Total Liabilities	\$ 14,507	\$ 8,040,934	\$ 8,024,659	\$ 30,782

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Blair Township 2007 Property Tax Levy and Collections For the Year Ended June 30, 2008

Schedule 6

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	4.9838	\$ 1,182,611	\$ 1,098,518	\$ 84,093
Commission on Aging	0.4858	115,122	104,392	10,730
Medical Care Facility	0.6595	156,475	141,725	14,750
B.A.T.A.	0.3283	77,886	70,542	7,344
State Education	6.0000	1,420,126	1,322,515	97,611
School District:				
Traverse City	21.1000	2,348,936	2,149,819	199,117
Kingsley	21.7500	123,328	112,137	11,191
Intermediate School District	2.9334	696,035	645,431	50,604
Community College	2.8700	680,889	624,099	56,790
District Library	1.1378	269,947	244,625	25,322
Township:				
General	0.8250	195,763	177,296	18,467
Fire and Police	2.5000	554,391	502,324	52,067
Ambulance (Emergency) Service	1.4166	336,139	304,444	31,695
Other Taxes on Roll:				
State Commercial Forest		257	257	-
Special Assessments:				
Township – Water		123,100	78,075	45,025
Township – Roads		11,553	9,987	1,566
Township – Street Lights		12,052	9,998	2,054
Township – Sewer		<u>51,207</u>	<u>24,376</u>	<u>26,831</u>
Total		<u>\$ 8,355,817</u>	<u>\$ 7,620,560</u>	<u>\$ 735,257</u>
Percent of Levy Collected	91.20%			

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

To the Township Board
Blair Township

We have audited the financial statements of Blair Township for the year ended June 30, 2008 and have issued our report thereon dated December 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Blair Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

Tobin & Co.

that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Blair Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Tobin & Co.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

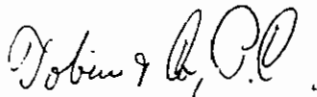
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Tobin & Co.

No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Blair Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tobin & Co., P.C." followed by a period.

Tobin & Co., P.C.

December 16, 2008